



Governmental Relations Update, December 2005

This update summarizes the status of legislation of interest to the Commission. It also provides information on the reauthorization of the federal Higher Education Act.

The Commission advises the Governor and Legislature on higher education policy and fiscal issues. Its primary focus is to ensure that the state's educational resources are used effectively to provide Californians with postsecondary education opportunities. More information about the Commission is available at www.cpec.ca.gov.

Draft Commission Report

Accountability

AB 196 (Liu) -- Commission Position -- Support

This bill would require CPEC to administer a state-wide accountability structure related to a specified set of goals and priorities. Amendments focused on the specificity of the data collection requirements and the frequency of the reporting requirements. The current version of the bill has a biennial CPEC reporting requirement and seeks to minimize costs by relying on existing data sources for initial implementation. CPEC staff has worked with the office of Assembly Member Liu in the development of the legislation and the identification of costs associated with its implementation. This bill was held in the Senate Appropriations committee.

CPEC staff has convened a Technical Advisory Committee of segmental representatives to assist in the construction of the accountability framework on its website. The CPEC accountability framework could be modified or restructured if legislation is ultimately passed.

Financial Aid

AB 358 (Liu) -- Commission Position -- Support

This bill would set the level of Cal Grant awards for students attending independent institutions. It was amended in the Senate to limit the formula for setting and adjusting the maximum Cal Grant award to students attending independent colleges with four-year programs. It was held on the Assembly floor pending concurrence with the Senate amendments. The author has indicated that she attends to amend the bill as follows:

- Include students attending schools with programs of less than four years,
- Adjust the "phase-in" of the formula in order to stay within the fiscal parameters agreed to in the Senate, and

- Require the independent institutions to submit enrollment data to CPEC.

AB 700 (Horton) -- Commission Position -- Support This bill would extend eligibility for the Cal Grant entitlement program to non-traditional students. It was held in the Assembly Appropriations Committee because of its estimated cost (\$400 million). The California State Student Association, sponsor of the bill, is proposing amendments that would significantly reduce the costs by limiting the number of awards to non-traditional students. The Association sought support of CPEC for the amended bill.

Transfer

SB 652 (Scott) -- Commission Position -- Support This bill would direct UC to establish a common community college transfer curriculum for high demand majors. In order to provide additional time for the University to work with Senator Scott's office, SB 652 became a two-year bill and will be taken up again in January 2006.

Facilities/Space Utilization

ACR 34 (Liu) -- Commission Position -- Support This resolution would express the intent of the Legislature that the space utilization standards recommended by CPEC be used as guidelines for the development of higher education facilities. The resolution was held in the Assembly Appropriations Committee.

CPEC staff is considering sponsoring legislation that would mandate the use of reasonable space utilization guidelines for higher education facilities. Legislative interest in this issue increased following an interim hearing of the Select Committee on Growth and Infrastructure on October 19, 2005, at which CPEC staff testified.

Student Fees – Community Colleges

AB 473 (Liu) -- Commission Position -- Watch This bill would permit the Board of Governors to set and adjust community college fees based on principles consistent with the Commission's student fee policy. In the current version, the Board of Governors "recommends" rather than "sets" fees for students attending community college. Fees would be set as a percentage of the cost of instruction and adjusted as base funding levels change annually. The bill was withdrawn from the Senate Appropriations Committee at the request of the author and re-referred to the Committee on Rules.

Staff of the Assembly Higher Education Committee convened a community college fee task force with the goal of reaching consensus on setting and adjusting fees. At its November 9, 2005, meeting, the Community College League indicated that it would be sponsoring an initiative to be placed on the November 2006 ballot that would reduce community college fees in the short run and provide a mechanism for setting and adjusting fees in the future. CPEC staff will present additional information about the various options and the Community College League proposed ballot initiative at the Commission meeting.

CPEC Administration/Reorganization

AB 1072 (Liu) -- Commission Position -- Oppose This bill would reconstitute the Commission as a nine-member Commission on Higher Education. The bill was heard in the Assembly Higher Education Committee on April 23, 2005, and held in committee.

Assembly Higher Education Committee staff indicated that the bill would be amended to provide greater focus on CPEC policy priorities and would no longer attempt to reconstitute or significantly change the CPEC governance structure.

SB 445 (Ducheny) -- Commission Position -- Oppose The amended version of this bill would reconstitute the Commission as the Commission on Statewide Postsecondary Education Policy and Planning. It was heard in the Senate Education Committee on April 28 and failed passage.

Governor's Signature/Veto of Commission Priority Legislation

AB 982 (Laird) --Community College Health Centers -- Commission Position -- Watch This bill allows community colleges to assess local fees for the support of College Health Centers.

Signed on September 22 with the following message:

I am signing Assembly Bill 982 because it will allow community college health centers to continue operating and providing health services to students. It is important to me that all students have the opportunity to thrive in higher education. Ensuring that all college students continue to have access to health care services on campuses is one step in that direction. For many low income students, the campus health centers may be the most expedient and effective health care they can receive. We should never allow health issues to be an impediment to providing hard working students the chance to succeed at California's outstanding community colleges. While this bill allows community college districts to charge the same modest fee on all their students, regardless of income level, I encourage districts to reassess all of their spending priorities annually to ensure their campus health centers are not reducing hours or staff, before considering the step of charging fees to lower income students. Community colleges should make every effort to keep campus based fees on lower income students as affordable as possible.

AB 1241 (Mathews) -- Cal Grant GPA Collection -- Commission Position -- Watch This bill would have established a working group to facilitate the submission of high schools GPS's to determine Cal Grant eligibility.

Vetoed with the following message:

Specific legislative authority is not necessary for the California Student Aid Commission (CSAC) to convene a working group to develop strategies to facilitate the submission of student grade point average verification to CSAC. In fact, CSAC has already convened a working group to study the barriers to the grade point average submission process. Therefore, this bill is unnecessary.

SB 593 (Frommer) -- California Hope Endowment -- Commission Position -- Watch This bill would have created a new financial aid program through the professional management of state surplus property.

Vetoed with the following message:

In accordance with the provisions of Proposition 60A as approved by the voters just last year, revenue generated by the sale of surplus property is to be used to pay off the debt accrued from the Economic Recovery Bonds. This bill attempts to redirect those revenues for other program purposes. As worthy an intention as providing additional funding for higher education may be, it is the Administrations objective to prioritize reducing the States debt first, before initiating new programmatic spending. Furthermore, this bill would delegate important decisions regarding the allocation of state resources to a new entity, unaccountable to the people, operating outside of the annual budget process, without an expressed mandate from the people of California. In doing so, it would impair the ability of the Legislature and the Governor to make such resource decisions taking into account all of the states needs, both in higher education, and across the spectrum of important state services.

SB 724 (Scott) -- CSU Education Doctoral programs -- Commission Position – Watch This bill establishes the authority of the State University to award doctoral degrees in the field of education administration.

Signed by the Governor on September 22, 2005, without an accompanying message.

Reauthorization of the Federal Higher Education Act

Reauthorization of the Higher Education Act has become part of the Budget Reconciliation process with both the Senate and the House including reauthorization provisions as part of an overall deficit reduction and Hurricane Katrina relief package. The House bill proposed roughly \$50 billion in “savings”, of which \$14.4 billion are directly attributable to subsidy reductions in Title IV student loan programs. The Senate bill identifies approximately \$39 billion in savings with \$8.8 billion coming from student loans. In both the Senate and the House bills, reductions in support for the student loan programs represent the single largest component. Both bills contain provisions that would increase spending either through greater Pell Grant support, reduced student loan origination fees, or increased loan limits.

Below are selected provisions of the two bills. Note that a substantial level of “savings” (about \$15 billion) in the Senate bill are anticipated through retaining current law on borrower interest rates and lender returns.

Selected Student Loan Provisions in Reconciliation Bills

(billions)

	<u>House</u>	<u>Senate</u>
Borrower Interest Rates		
• Change interest rates on new loans	\$ 0.5	N/A
• Change consolidation to fixed or variable rate	2.5	N/A
Borrower Fees		
• New 1% fee on all consolidation loans	2.9	N/A
• Require 1% insurance fee on guaranteed loans	1.48	N/A
Lenders/Guaranty Agencies		
• Change “guaranteed 9.5% yield” on new loans	1.8	1.4
• Eliminate floor on lender rate of return	5.2	N/A
• Reduce lender reinsurance and default collections payments	1.4	0.8
• Raise lender origination and consolidation fees	1.8	0.6
• Require 1% Guaranty fee.	N/A	1.4
• Reduce Guaranty Agency collections retention rate	0.065	0.065
Additional Student Benefits		
• New Supplemental Pell Grant program	N/A	8.012
• Reduced origination fees	4.070	2.46
• Increased loan limits	1.6	1.86

It is anticipated that the bills will be in conference committee some time in December. Current authorization of the Higher Education Act will expire at the end of December 2005.